

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 XMB-02 ERDA-05 AID-05 CEA-01

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 4060

INFO USDOC WASHDC

AMEMBASSY MEXICO

C O N F I D E N T I A L MOSCOW 12561

USDOC FOR BEWT/USSR

PASS EXIM BANK

E.O. 11652: GDS

TAGS: ENRG, EEWT, UR, MX

SUBJECT: POSSIBLE SOVIET/ALLIS-CHALMERS COOPERATION ON MEXICAN
HYDRO-POWER PROJECT

REF: MEXICO 7580

1. DESPITE REPORT OF HIS DEPARTURE FOR MOSCOW (REFTEL),
CHIEF OF MEXICAN CFE ARSENIO FARELL APPARENTLY NEVER ARRIVED
IN USSR FOR SCHEDULED DISCUSSIONS WITH SOVIETS ON CHICOSEN
HYDRO-POWER PROJECT. ALLIS-CHALMERS REP SIEBENSOHN ADVISED
COMMATT SEPTEMBER 3 THAT HE HAD GIVEN UP HOPE THAT FARELL
WOULD COME TO MOSCOW IN NEAR FUTURE AND WAS HIMSELF GOING
TO MEXICO CITY. HE ASKED THAT EMBASSY MEXICO BE INFORMED OF
HIS TRAVEL PLANS. SIEBENSOHN SCHEDULED ARRIVE MEXICO CITY
SEPTEMBER 4 AND WILL CONTACT EMBASSY MORNING OF SEPTEMBER 5.

2. ON BASIS SIEBENSOHN'S COMMENTS, IT APPEARS THAT CRUCIAL
FACTOR IN EVENTUAL SOVIET DECISION EITHER TO ENTER BID COVERING
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ALL EQUIPMENT FOR CHICOASEN PROJECT OR TO JOIN FORCES WITH

ALLIS-CHALMERS WILL BE MEXICAN SCHEDULE FOR COMPLETION OF PROJECT. AS PREVIOUSLY REPORTED, (SEE MOSCOW 11082), SOVIETS ARE CONCERNED THAT THEY MIGHT LOSE ENTIRE EQUIPMENT SUPPLY CONTRACT DUE TO THEIR INABILITY TO MEET MEXICAN DELIVERY SCHEDULES. ALLIS-CHALMERS REPS HAVE ADVISED COMMATT THAT THEY UNDERSTAND SOVIETS (THROUGH FOREIGN TRADE ORGANIZATION ENERGO MASHEXPORT, WHICH WOULD HANDLE CHICOSEN PROJECT) HAVE ALREADY RUN INTO HEAVY PENALTIES DUE TO LATE DELIVERIES OF EQUIPMENT FOR CANADIAN POWER PROJECTS. ON MEXICAN SIDE, CRUCIAL POINT, AT LEAST AS FAR AS ALLIS-CHALMERS IS CONCERNED, WILL BE AVAILABILITY AND TERMS OF U.S. FINANCING FOR ALLIS-CHALMERS' SHARE OF PROJECT. ALLIS-CHALMERS IS CONCERNED THAT EVEN IF SOVIETS GO ALONG WITH JOINT BID, MEXICANS COULD REJECT THIS BID ON GROUNDS THAT TERMS FOR U.S. SHARE OF FINANCING ARE UNATTRACTIVE.

3. SIEBENSOHN INDICATED TO COMMATT THAT SOVIETS WERE AS DISTURBED AS ALLIS-CHALMERS WITH FARELL'S NO-SHOW FOR LATEST ROUNDS OF NEGOTIATIONS. THIS COULD HAVE SOME IMPACT ON SOVIETS' ENTHUSIASM FOR BECOMING DEEPLY INVOLVED WITH CFE, AND FARELL.
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